

Message Text

LIMITED OFFICIAL USE POSS DUPE

PAGE 01 BERN 01495 191733Z

60

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 DRC-01 /143 W
----- 121829

R 191611Z APR 74

FM AMEMBASSY BERN

TO SECSTATE WASHDC 8925

INFO USMISSION OECD PARIS

AMCONSUL ZURICH

LIMITED OFFICIAL USE BERN 01495

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: REQUEST FOR INFORMATION ON FOREIGN REGULATION OF
FOREIGN BANKS: SWITZERLAND

REF: STATE A-1911

1. SUMMARY. FOREIGN BANKING IN SWITZERLAND IS SUBJECT TO
EXPLICIT CONTROL AND SUPERVISION. EMBOFF HAS
RECENTLY VISITED SENIOR OFFICERS OF SIX US SUBSIDIARIES,
FIVE BRANCHES, AND THREE BANKS OWNED WHOLLY OR IN PART
BY US INDUSTRIAL COMPANIES AND GAINED OVERALL IMPRESSION
THAT THEY ARE PLEASED WITH THEIR OPERATIONS IN SWITZERLAND,
ALTHOUGH IN SOME CASES HAVE HAD OR ARE HAVING PROBLEMS
WITH RECIPROCITY REQUIREMENTS, PUBLIC IMAGE, OBTAINING
WORK PERMITS FOR FOREIGN PERSONNEL, AND/OR MEETING INCREASINGLY
MORE STRINGENT REQUIREMENTS INTRODUCED OVER LAST FIVE YEARS.

SOME SWISS BANK OFFICIALS CONCERNED RE POSSIBLE FEDERAL RESERVE
LEGISLATIVE PROPOSALS ON FOREIGN BANKING IN US. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BERN 01495 191733Z

2. SINCE JULY 1, 1969, BANKS IN SWITZERLAND UNDER FOREIGN

CONTROL (WHETHER BRANCHES, SUBSIDIARIES, OR INVOLVING FOREIGN PARTICIPATION) HAVE REQUIRED SPECIFIC PERMISSION OF SWISS BANK COMMISSION AND ARE SUBJECT TO VARIOUS REGULATIONS. AMONG BASIC FACTORS CONSIDERED IN APPROVING ESTABLISHMENT APPLICATION IS WHETHER RECIPROCAL ESTABLISHMENT AND OPERATING OPPORTUNITIES AVAILABLE IN FOREIGN JURISDICTION IN WHICH HOME OFFICE FOREIGN BANK IS LOCATED.

3. SWISS FEDERAL BANK LAW OF NOVEMBER 8, 1934, WAS AMENDED IN MID-1969 BY EMERGENCY DECREE AND BY LEGISLATION EFFECTIVE JULY 1, 1971. IMPLEMENTING REGULATIONS ENTERED INTO FORCE JULY 1, 1972. BESIDES AFFECTING FOREIGN BANKS, AMENDED LAW ALSO TIGHTENED RULES FOR ESTABLISHMENT AND OPERATIONS OF BANKS IN GENERAL/. (SEE BERN A-394, NOVEMBER 20, 1970; A-47, FEBRUARY 11, 1971; A-246, JULY 8, 1971; A-304, JULY 17, 1972; AND A-12, JANUARY 8, 1973.)

4. US BANK REPS HAVE OCCASIONALLY ENCOUNTERED DIFFICULTIES SATISFYING RECIPROCITY PRINCIPLE AND SOME DELAYS IN APPROVING APPLICATIONS HAVE RESULTED, ALTHOUGH WITH RECENT FORMAL OPENING MANUFACTURERS HANOVER ZURICH BRANCH, WE KNOW OF NO PENDING CASES BEFORE BANK COMMISSION. OTHER PROBLEMS HAVE INVOLVED WORK PERMITS FOR EXPATRIATE PERSONNEL RESULTING FROM SWISS POLICY OF STABILIZING FOREIGN WORKER POPULATION, DIFFICULTIES IN ESTABLISHING BASE AND COMPLYING WITH SNB CREDIT RESTRICTIONS, AND EASING CONCERNS OF SOME SWISS BANKERS AND OFFICIALS RE SUCH REAL OR IMAGINED FEARS AND IMAGE PROBLEMS AS LATE 1960 "INVASION" OF FOREIGN BANKS, BIDDING UP OF SALARY SCALES FOR COMPETENT FOREIGN EXCHANGE TRADERS AND OTHER STAFF, CONTROVERSY SURROUNDING COLLAPSE OF UNITED CALIFORNIA BANK/ BASEL, ETC.

5. SINCE PREPARATION REPORTS REFERRED TO PARA 2 ABOVE, MOST SIGNIFICANT DEVELOPMENTS AFFECTING FOREIGN BANKS IN SWITZERLAND HAVE BEEN (A) PROMULGATION IN SEPTEMBER 1973 BY BANK COMMISSION OF REGULATIONS TO BE FULLY EFFECTIVE AT END 1974 AFFECTING CAPITAL ADEQUACY REQUIREMENT, LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 BERN 01495 191733Z

BALANCE SHEETS, ETC., OF FOREIGN BRANCHES; AND (B) MEMBERSHIP OF SOME US BANKS (BOTH BRANCHES AND SUBSIDIARIES) IN SWISS BANKERS ASSOCIATION WITH RESERVATION CLAUSE RE SIGNING CONVENTIONS, ETC., WHICH MIGHT CAUSE PROBLEMS UNDER US ANTI-TRUST LAW. IN SOME CASES US BANKS HAVE RECENTLY ALSO JOINED ASSOCIATION OF FOREIGN BANKS IN SWITZERLAND. (SEE BERN A-502, DECEMBER 1, 1972, AND A-241, JUNE 13, 1972.)

6. IN RECENT CONVERSATIONS WITH SWISS BANKERS (PARTICULARLY CREDIT SUISSE AND SWISS BANK CORP.) AND

US BANKERS, WE HAVE HEARD CONCERN EXPRESSED RE POSSIBLE
FEDERAL RESERVE PROPOSALS FOR NEW LEGISLATION ON FOREIGN
BANKS IN US (STATE A-2302, MARCH 20 AND STATE 53029). WHILE
RECOGNIZING VALIDITY OF NON-DISCRIMINATION PRINCIPLE AND ALSO AWARE
OF ANOMALIES BETWEEN FOREIGN AND US BANKS IN US IN TERMS OF PRESENT
OBLIGATIONS AND OPPORTUNITIES, SWISS ARE CONCERNED THAT SUCH
LEGISLATION COULD CAUSE PROBLEMS FOR THOSE SWISS BANKS
WITH BRANCHES IN MORE THAN ONE STATE AND ALSO AFFECT
THEIR HOLDINGS IN SECURITIES AFFILIATES. SOME US
BANKERS HERE ARE CONCERNED THAT IMPLEMENTATION OF SUCH
US LEGISLATION MIGHT RESULT IN RENEWED LOOK IN SWITZERLAND
AT RECIPROCITY AND COULD POST PROBLEMS FOR THOSE US BANKS WITH
SEVERAL BRANCHES IN SWITZERLAND AS WELL AS AFFECTING THEIR
INVESTMENT BANKING BUSINESS.

7. EMBASSY WILL REPORT FURTHER BY AIRGRAM IN RESPONSE
REFAIR.
PERCIVAL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, BANK LAW
Control Number: n/a
Copy: SINGLE
Draft Date: 19 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BERN01495
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740092-0360
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740431/aaaabavz.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE A-1911
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2002 by boyleja>; APPROVED <07-Aug-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REQUEST FOR INFORMATION ON FOREIGN REGULATION OF FOREIGN BANKS: SWITZERLAND
TAGS: EFIN, SZ, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005